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SIPDIS

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TAGS: [PGOV](#) [EPET](#) [IZ](#)

SUBJECT: RRT ERBIL: KRG PM BARZANI FORECASTS HYDROCARBON  
NEGOTIATIONS IN JUNE

REF: A. A: BAGHDAD 1277

[B](#). B: BAGHDAD 1426

Classified By: Erbil RRT U.S. Team Leader Jess Baily for Reasons 1.4 (b  
,d).

This is an Erbil Regional Reconstruction Team message.

[1](#)1. (C) Summary: Kurdistan Regional Government (KRG) Prime Minister told the Ambassador,s Senior Advisor for Northern Iraq and RRTOffs May 6 that he expects the KRG to complete its short list of modifications to the February 2007 text on national hydrocarbon legislation soon. He does not plan, however, to convey them to Prime Minister Maliki until early June, when he returns from his upcoming visit to the United States. While stating that the GoI and KRG must reach a solution on hydrocarbons, he &personally does not believe the law will pass.8 End Summary.

[1](#)2. (C) Ambassador,s Senior Advisor and RRTOffs met on May 6 with KRG Prime Minister Nechirvan Barzani to discuss disputed territories and relations with Turkey. (These discussions will be reported septel.) Asked at the end of the meeting about the next steps on hydrocarbon legislation, Barzani spoke positively about his recent meetings in Baghdad, reiterating many points he made to S/I and EMIN in Baghdad (ref A). He noted that the KRG has offered full transparency in its production sharing agreements (PSAs) and has agreed to let an "independent commission of experts" review them. The transparency of KRG contracts &is no longer an issue," he asserted. He repeated a familiar riff that the GoI is content with low production levels instead of boosting output to six to 10 million barrels per day. In reply to GoI complaints about KRG Minister of Natural Resources Ashti Hawrami, Barzani said he would sack Ashti the minute Prime Minister Maliki replaces Minister of Oil Shahrastani. (Note: the latest indications from the negotiations over the KRG cabinet reshuffle have the KDP retaining the Energy Ministry, thus increasing the likelihood of Dr. Ashti staying on through the hydrocarbon negotiations.) He also reiterated the offer to put 100,000 barrels per day from DNO fields in Zakho into the northern pipeline and expected a team from SOMO to visit soon.

[1](#)3. (C) Barzani stressed that Iraq must reach a solution on hydrocarbons. He also sounded a surprisingly pessimistic note, however, saying &I personally do not believe that the (hydrocarbon) laws will pass8 due to a lack of genuine political will in Baghdad. The key for the KRG is to eliminate the perception that it is the obstacle, by &showing everyone that we want an agreement.8

[1](#)4. (C) The next step, he said, is for the KRG to complete its list of the most important modifications to the February 2007 texts, down from its initial 95 or so comments. He expects this to conclude shortly, and will present the revised list

of Kurdish demands in Baghdad in early June, after visiting the U.S. to receive an honorary degree on May 17. He insists on delivering the KRG,s position in person to PM Maliki. If the KRG instead sends a text to Baghdad ahead of the meeting, he fears the Ministry of Oil and other advisors will discourage PM Maliki and torpedo the negotiations before they even begin.

15. (C) Comment: PM Barzani,s waiting until June to continue negotiations on hydrocarbons in Baghdad and his pessimist comment about the eventual failure of the law merit some concern. While he advised the USG to play a quiet role in the process, we should remind him of the need to maintain the positive momentum by meeting as soon as possible with PM Maliki to present the KRG,s main concerns about the February 2007 text. The Ambassador this week passed a similar message to President Talabani (ref B). Meeting sooner rather than later offers the best hope of maintaining the Kurds, image and allowing the KRG to benefit from the increased value of its concessions, more drilling activity, and pipelines from oil and gas into world markets. End comment.  
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